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31 Aug 59

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Subject: Share of National Economy produced by the Construction Industry

Page

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Percent of National Income produced by the construction industry

- (1) Official statistical data of national income produced from 1954-1957 /
Approximate percent of national income as calculated by [] 1950-1957 3 25X1
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1. Official data.

The Construction Industry in the Polish National Economy as Producer:Percent of National Income it Produces.

The available statistical yearbooks contain the following data concerning the participation of the construction industry in national income only for the years 1954-1957.

	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
1. According to Statistical Yearbook 1956 page 293				
Net income produced by the construction industry in current prices in million zlotys	16,355	17,139		
The percentage of the total construction (socialized and private) volume which is net value added	52.8%	54.0%		
2. According to Statistical Yearbook 1956, page 294				
The construction industry gave in relation to the total national income	8.2%	8.0%		
3. According to Statistical Yearbook 1957, page 57				
The total production of the construction industry in current prices in 1956 in million zlotys			40,806	
Costs of materials in million zlotys			18,541	
Pure production* in million zlotys			22,265	
Pure production in percentage			8.6	

* Pure production: the total value of construction assembly production after deduction of material costs (materials and replacement of machinery)

	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
4. According to Statistical Yearbook 1958, page 15				
The income produced by the construction industry in current prices in million zlotys			22,300	24,900
in comparable prices				22,400
in current prices in percentage			8.6	8.3
in comparable " " "				8.1

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Because there are no statistical data on national income produced by the construction industry in the years 1950-1953, [] decided to use the statistical data of the construction-assembly production and calculate the produced income by an indirect method. Unfortunately the statistical year-books contain only data concerning construction-assembly production of socialized units, ^{and} not total construction-assembly production. However since the socialized enterprises and construction units controlled by so-called Autonomous Investment Operation Branches (Samodzielne Oddziały Wykonawstwa Inwestycyjnego-SOWI) in individual factories and establishments implemented jointly about 90% of the total construction production, it is possible to obtain data about the national income produced by the construction industry with sufficient accuracy.

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[] gave the following explanation as to how [] calculated the proportion of income produced by the entire construction industry to the construction-assembly production:

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The Statistical Yearbook 1956 on page 201 gives:

construction-assembly production of socialized units in 1955 prices:

in 1954 27,073 million zlotys

in 1955 28,078 " "

The net income produced by the construction industry in current prices as shown on page ³ of the above table, paragraph 1 amounted:

in 1954 to 16,355 million zlotys and

in 1955 to 17,139 " "

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According to calculation and comparison of the above figures, 25X1
this income amounted in 1954 to about 59.2% and

in 1955 to about 60.6% of the socialized construction
~~industry~~ *production*

In relation to the total (socialized and private) construction-assembly
production, the net income of the entire construction industry amounted to
62%, in 1956, and 65%, in 1957, of the total socialized construction-
assembly production. Net income produced by the construction industry
amounted to 52.8% in 1954 and 54.0% in 1955 .

The Statistical Yearbook 1958 gives the construction-assembly production
of socialized units in 1956 prices as: 36,8⁴~~28~~ million zlotys in 1956 and
38,451 million zlotys in 1957; and national income produced 22,265 million
zlotys in 1956 and 24,900 million zlotys in 1957.

During the years 1950-1953 the construction-assembly enterprises worked
inefficiently and, in connection with their rapid growth and organizational
difficulties, incurred great losses which amounted to about 6-7% of the
output. Because of this, estimates that the income produced by the 25X1
construction-assembly production did not exceed 50% of the total value of
production of the entire socialized construction industry during 1950-1953.

The Statistical Yearbook 1957 on page 179 gives the value of production
of socialized construction enterprises. Multiplying the yearly amounts ^{by} ~~to~~ 0.5
it is possible to obtain the approximate income produced by the entire

(socialized and private) construction industry as follows:

in 1950	-15,163	x 0.5	= 7,580	million zlotys		25X1
1951	-22,915	x 0.5	= 11,450	" "		
1952	-28,200	x 0.5	= 14,100	" "		
1953	-33,971	x 0.5	= 16,980	" "		

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According to the Polish Small Statistical Yearbook 1958 page 15 the total national income amounted during the same years:

in 1950	to 157,000	million zlotys
1951	168,700	" "
1952	179,200	" "
1953	197,900	" "

The income produced by the entire construction industry in relation to the total national income (as it is visible from comparison of the two above tables) amounted to:

4.6%	according to sources calculation in 1950
6.8%	" " " " " 1951
7.9%	" " " " " 1952
8.6%	" " " " " 1953
8.2%	" " official statistics " 1954
8.0%	" " " " " 1955
8.6%	" " " " " 1956
8.3%	" " " " " 1957 (second version in comparable prices for 1957 -8.1%)

Diagrams

At the end of this part of the study the following 25X1 diagrams:

Diagram 1. Shows the increase of national income from 136.4 billions in 1950 to 277.3 billion zlotys in 1957, i.e. accepting the 1950 level as 100 an increase to 176 in 1957.

Diagram 2. Curve A, the increase of construction-assembly production of socialized units from 15.2 billions in 1950 to 38.5 billion zlotys in 1957, i.e. from 100 in 1950 to 255 in 1957.

: by curve B, the increase of investments of the construction industry from 29.7 billions in 1950 to 54.1 billion zlotys in 1957, i.e. accepting the year 1950 as 100 an increase to 182 in 1957.

Diagram 3. Shows the increase of income produced by construction industry from 8.0 billions in 1950 to 22.4 billion zlotys in 1957, i.e. from the level of 100 in 1950 to 280 in 1957.

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Diagram 4. Shows in percentage the share of national income produced by the construction industry in relation to the total Polish national income which increased from 5.1% in 1950 to 8.6% in 1953 and later on remained almost on the same level between 8.0 to 8.6%.

the following tables which contain the figures and dates on which the diagrams were made:

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a) Table 1 for Diagram 1

The National Income during the years 1949-1957 in billion zlotys in 1956 prices and in percent accepting the year 1949 as 100%

See Statistical Yearbook 1956 page 292
 " " " 1957 " 55
 Small " " 1958 " 15

Year	In Billion Zlotys	Increase in percentage	
		1949=100	1950=100s
1949	136.4	100.00	87.0
1950	157.0	115.1	100.0
1951	168.7	123.7	108.0
1952	179.2	131.4	114.0
1953	197.9	145.1	126.1
1954	218.8	160.4	139.6
1955	236.7	173.5	150.1
1956	256.7	188.2	164.0
1957	277.3	203.3	175.8

b) Table 2 for Diagram 2 B

The Investments/ outlays in National Economy during the Years 1950-1957 in million zlotys in 1956 prices and in percent 1950=100%

See Statistical Yearbook 1957 page 179
 Small " " 1958 " 61

Year	Million Zlotys	Percent
1950	29,744	100
1951	33,339	112
1952	39,098	131
1953	45,102	152
1954	48,033	162
1955	50,119	169
1956	51,686	174
1957	54,099	182

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c) Table 3 for Diagram 2 A

The Construction-assembly production of socialized units during the years 1950-1957 in million zlotys in 1956 prices and in percent 1950=100%.

See Statistical Yearbook 1957 page 179
 Small " " 1958 " 65

Year	Million Zlotys	Percent
1950	15,163	100%
1951	22,915	151
1952	28,200	186
1953	33,971	224
1954	34,760	229
1955	36,002	237
1956	36,868 ⁸⁴⁸	243
1957	38,451	255

d) Table 4 for Diagram 3

The Increase of income produced by the construction industry during the years 1950-1957 in billion zlotys, and in percent 1950=100% in 1956 prices.*

See Statistical Yearbook 1957 page 179 and also page 11 of this study.

Year	Million zlotys	Percent
1950	7.58	100
1951	11.45	151
1952	14.10	186
1953	16.98	224
1954	20.50	270
1955	22.00	290
1956	22.27	293
1957	22.40	295

* The income produced by the construction industry during the years 1954 and 1955 given by the Statistical Yearbook 1956 on page 243 in 1955 prices was recounted in 1956 prices by multiplying them using the following conversion 25X1 factor (multiplier) : 1.29 for 1955 and 1.26 for 1954 i.e.:

1954 : 16.35 x 1.26 = 20.5
 1955 : 17.14 x 1.29 = 22.0

e) Table 5 for Diagram 4

The Share of National Income produced by the Construction Industry in Relation to the total Polish National Income in percent from 1950-57 as indicated on page 12 .

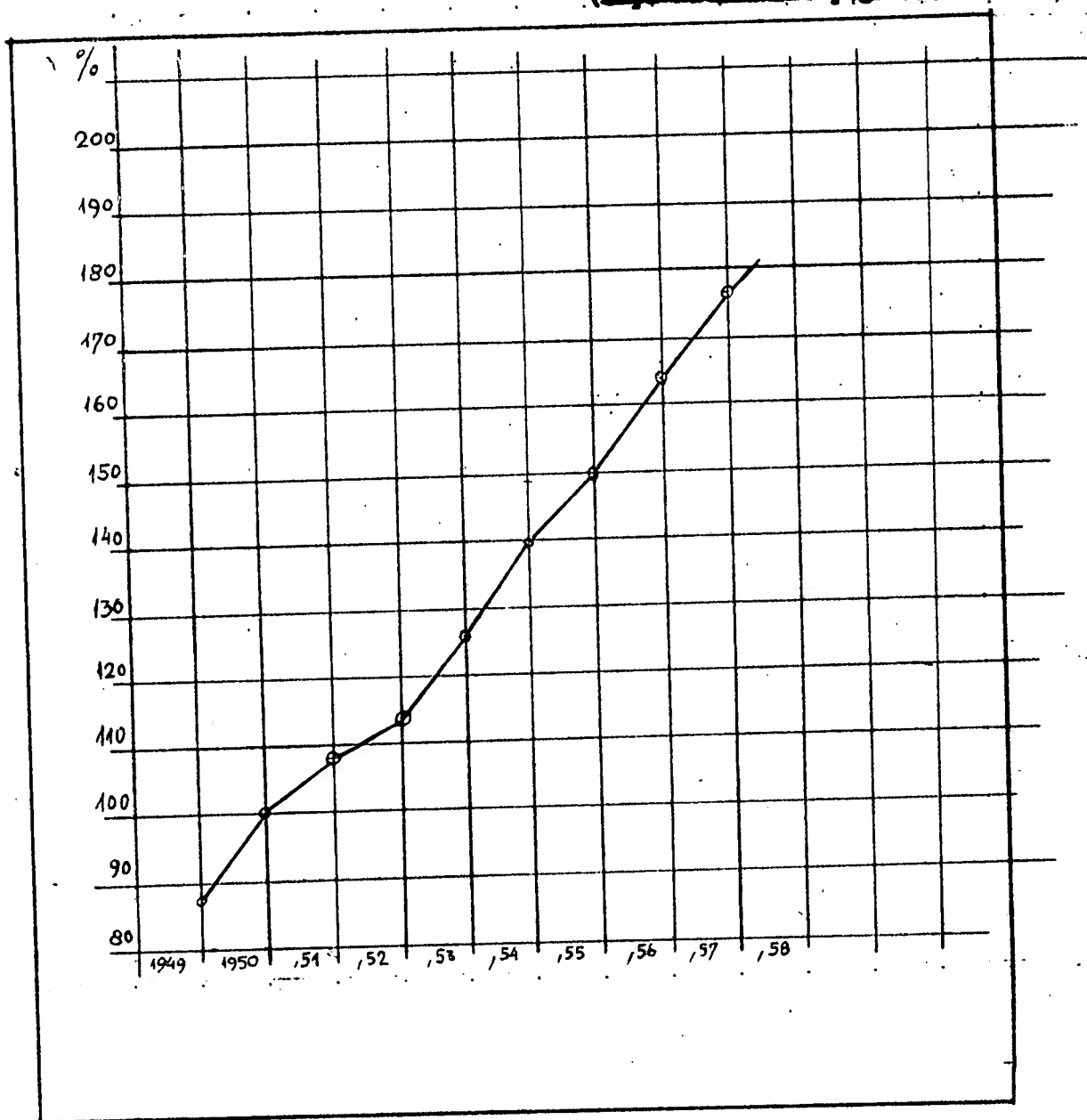
in 1950	4.6%
1951	6.8%
1952	7.9%
1953	8.6%
1954	8.2%
1955	8.0%
1956	8.6%
1957	8.1%

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Diagram I

The curve of increase of national income during the years 1949 - 1957
in percent

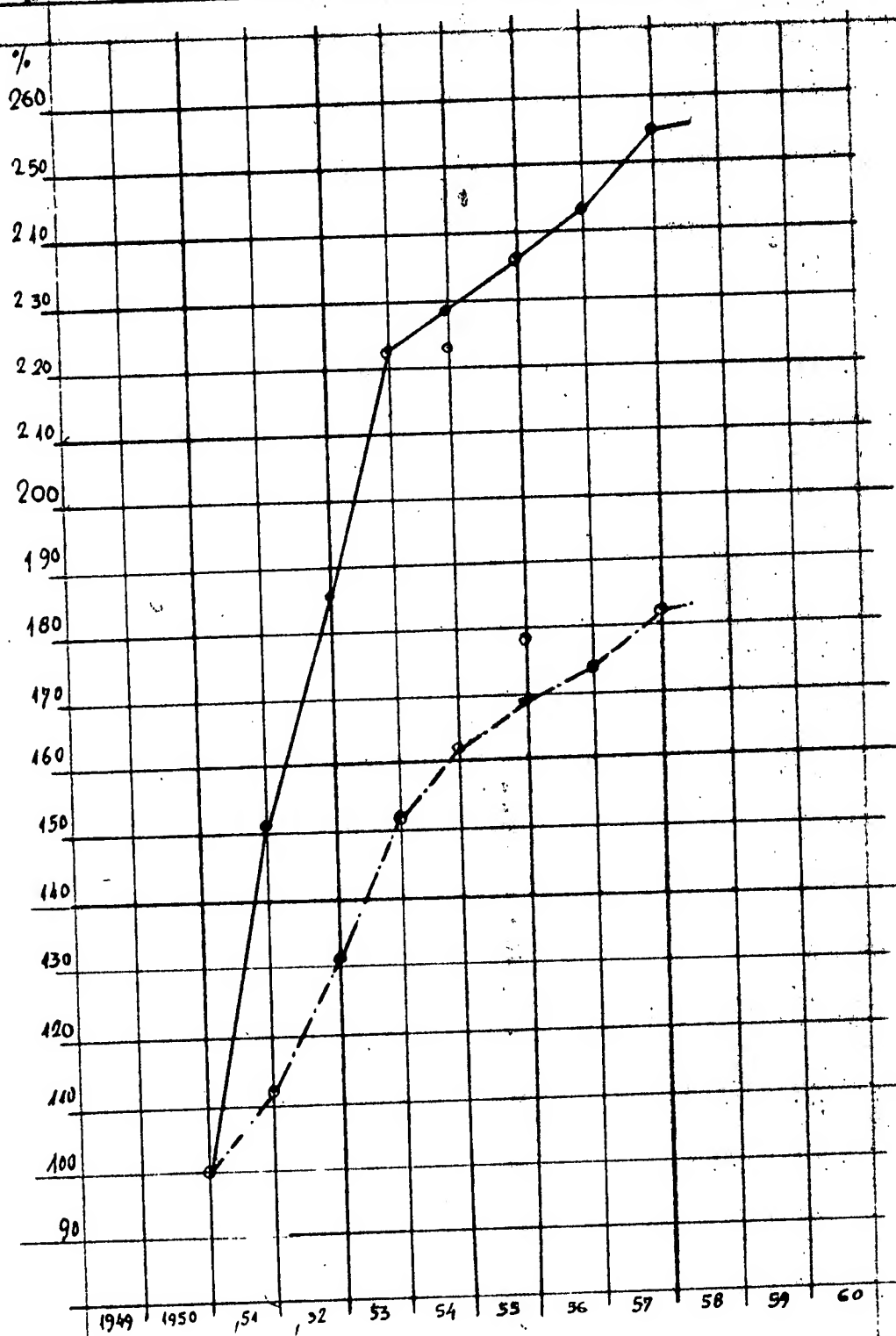


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- A. — The curve of increase of construction-assembly production
B. - - - The curve of increase of investments of the construction industry.

from 1950-1957

(Explanation on page 94)

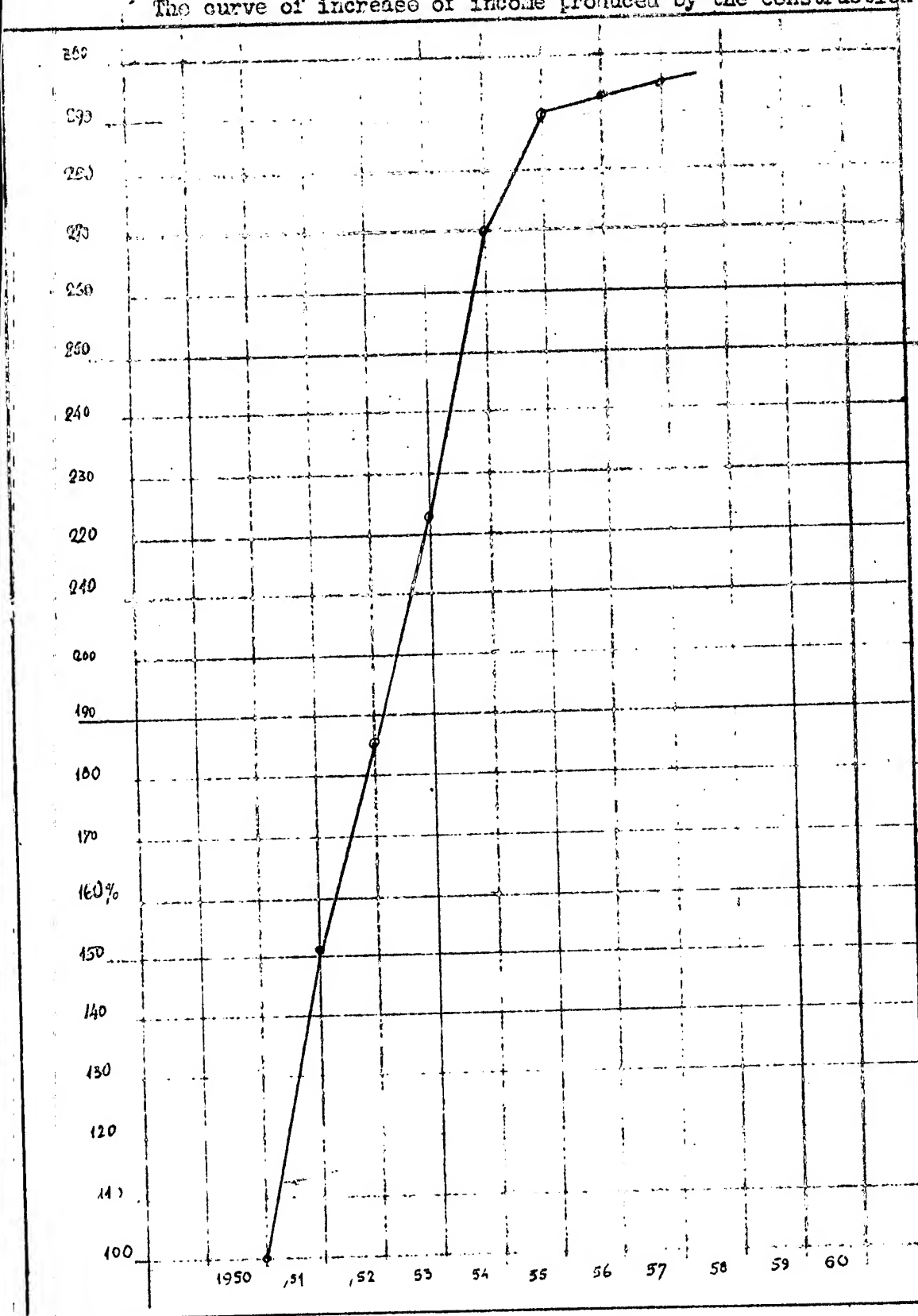


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Diagram III

The curve of increase of income produced by the construction industry from 1950-
in 1956 prices.

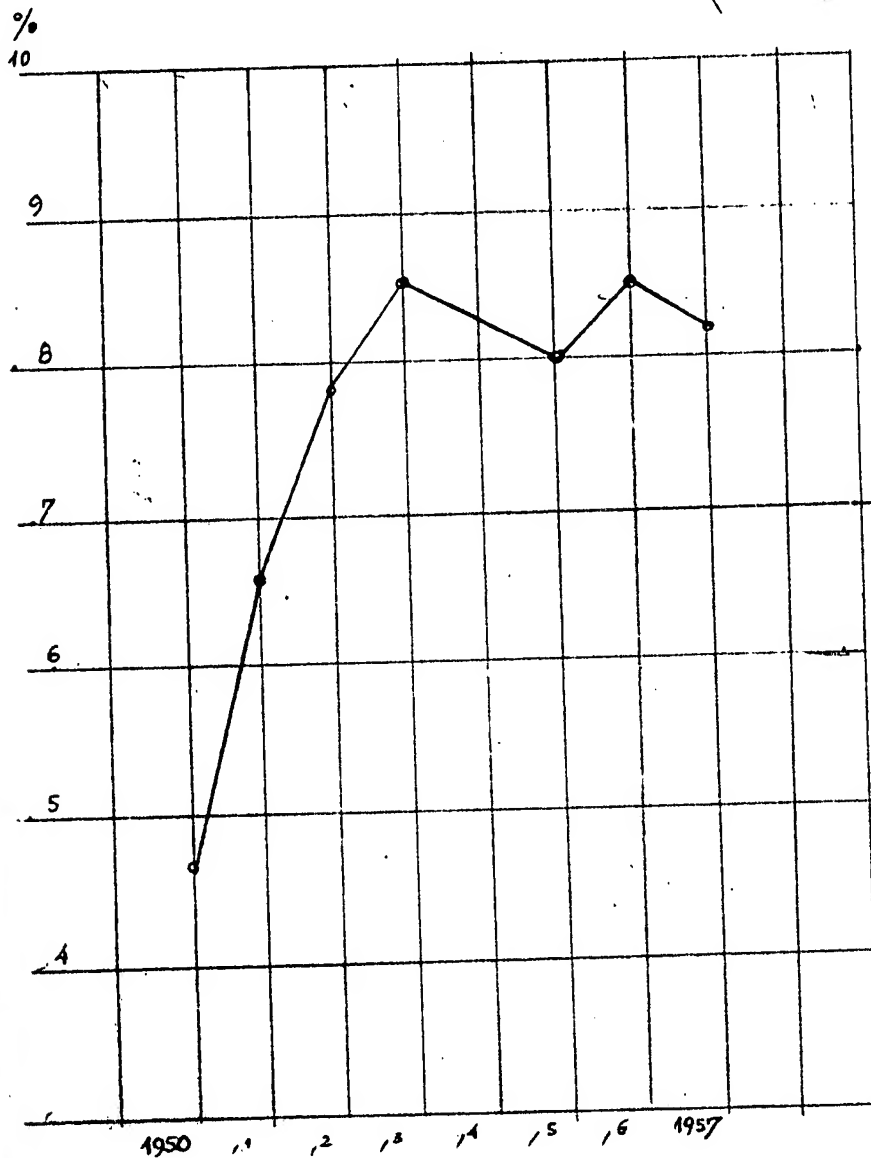
(Continuation
from page 95)



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The share of national income produced by the construction industry
during the years 1950- 1957

(~~Construction industry~~)



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As is shown in Diagram 1 on page 4 the percentage of national income produced by the construction industry was relatively small in 1950, but was increased rapidly from 1950 -1955 and afterward stabilized itself on the level almost three times higher than in 1950. At present, this income tends to increase slightly in conformity with the increase of investments in the country. Since 1955, the national income produced by the construction industry amounted roughly to about 8 - 8.6% of the total national income, and it seems that this figure will remain without changes for the next years.

According to the Small Statistical Yearbook 1958 pages 15 and 32, the "Industry and Crafts" (Przemysl i Rzemioslo) in 1957, employing 2,909,600 persons produced an income, in comparable 1956 prices, of 136.7 billion zlotys which represents about 48.7% of the total (value added) national income. The table on the next page gives a comparison of the construction industry with all other industries all together including crafts, the percentage of employment, the produced national income and own investments in 1957.

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2 The construction industry in comparison with all industries in 1957

	All industries and crafts 2,909,600	The construction industry 692,600 ^s
a/ Employment , persons		
b/ The percentage in proportion to the total employment	41.0 % ^s	9.8 % ^s
c/ The percentage in proportion to the total/employment nonagricultural	46.5 % ^s	11.1 % ^s
d/ The percentage in proportion to the total employment including peasants	26.4 % ^s	6.3 % ^s
e/ The national income produced Billion zlotys (in comparable 1956 prices)	136.7	22.4
f/ The percentage in proportion to the total national income	49.3 %	8.1 %
g/ The investment outlays received from the State Billion zlotys	21.9	1.77 ^s
h/ The percentage in proportion to the total investment outlays	40.5	3.3 % ^s

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While industries and crafts employed four times as many people ^{as} ~~than~~ the construction industry in 1957, they produced six times as much national income and received twelve times as much for investment. For every zloty of state investment in industries and crafts, 6.2 zlotys of national income were produced; while in construction the ratio was 1: 11.8.

This indicates the neglect of the construction industry by the state. In fact, after agriculture, it is the least favored "industry". State efforts to develop the construction industry in the 1950-1957 period were inadequate and one-sided. The industry was directed toward industrial construction while housing, the communal economy, roads, rural construction and repairs were all neglected.

For these reasons, the construction industry is unbalanced. The apparatus for large industrial projects is enormous, but the industry is weak in all other fields of construction. In early 1957, the increase in the housing program resulted in an increased, but still insufficient, flexibility.

After 1956, destruction of the few remaining private and cooperative firms was halted and labor cooperatives, retail ^oshops for building materials, and craftsmen repair shops were slightly encouraged. This is a long process, and sweeping changes and reforms cannot be expected in view of the bureaucratic structure and centralization of the industry.

For example, permission for private architects to practice, for the opening of a cooperative consulting and designing bureau, for a private construction workshop or private establishment for the production of building materials may be issued reluctantly by the administration in very small numbers, but never for the organization of a private construction enterprise. The existing trend for improvement and correction of mistakes during the period 1957-1965 is based on:

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1. recognition of mistakes of one-sided development in the past
2. stopping of destructive activities which were aimed at liquidation of everything private
3. increasing of housing construction
4. permission for, and even some support of construction cooperatives
5. permission, but to an insufficient degree, of private construction of individual houses
6. support of building materials industry and supporting industries
7. improvement of supplies of building materials for villages, which is still insufficient
8. some decentralization of management

However, the realization of these plans is halting due to the constant fear within the government and party of allowing control to get out of their hands, and although the shortages and gaps created by the policy during the past years are already diminishing, nevertheless some will remain, and the rebirth of a well-rounded construction industry in Poland will be hardly possible even after 1965.

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